

Committee on Ways and Means

Inpatient Rehabilitation Facilities

75 Percent Rule

- Medicare pays more for treatment in an inpatient rehabilitation facility (IRF) than for rehabilitative care in short-term acute care hospitals, skilled nursing facilities or in outpatient therapy centers in hospitals or other sites.
- Because of this higher payment, it is important to ensure that patients who receive treatment in rehabilitation hospitals require the additional highly specialized care that is offered in that setting. If patients do not need highly specialized care, Medicare will be overpaying by sending them to IRFs for treatment.
- To ensure appropriate use of IRFs, since 1983 Medicare has required that 75 percent of the patients that IRFs treat have specified medical conditions that generally require highly specialized inpatient care. (This means that a patient within a stroke category counts towards compliance with the rule, regardless of whether a specific stroke patient's highly specialized care delivered in an IRF was medically necessary.)
- This rule was temporarily suspended and reissued in 2004 with a revised set of qualifying conditions and a transition schedule for reaching compliance with the 75 percent rule.
- The Deficit Reduction Act (DRA) provides an additional year for the phase-in.
- In 2005, the compliance level is 60 percent. The DRA retains the 60 percent threshold for 2006. The threshold becomes 65 percent in 2007 and 75 percent in 2008.
- This phase-in schedule provides sufficient time for IRFs to ensure that Medicare beneficiaries receive the care they need, while also moving Medicare toward more appropriate payment for services in these facilities.